

December 6, 2010

Natural Gas Trends

Highlights

U.S. NATURAL GAS PROVED RESERVES SOAR IN 2009

Report released. The U.S. Energy Information Administration's (EIA's) Office of Oil, Gas, and Coal Supply Statistics recently released a report titled *Summary: U.S. Crude Oil, Natural Gas, and Natural Gas Liquids Proved Reserves 2009*. In the report, EIA represents that proved reserves of U.S. natural gas increased by 11% from 2008 to 2009 to 284 trillion cubic feet (Tcf), the highest level since 1971.

Proved reserves of U.S. natural gas are at the highest level since 1971.

Louisiana gains 9.2 Tcf in 2009. Shale gas development in Texas, Arkansas, Louisiana, Oklahoma, and Pennsylvania drove the increase in U.S. natural gas proved reserves. While the Barnett Shale in Texas continues to be the largest shale gas area in the U.S., Louisiana led the nation in 2009 with a net increase of 9.2 Tcf in wet natural gas proved reserves, primarily attributable to development of the Haynesville Shale. Increases in reserves occurred in spite of a decline in natural gas prices.

Proved reserves defined. EIA defines proved reserves as those volumes of oil and natural gas that geologic and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions. Proved reserves are a small subset of recoverable resources.

EIA's report is available under 'Analyses' at:
http://www.eia.gov/oil_gas/natural_gas/info_glance/natural_gas.html

Data

- January Natural Gas Futures Contract (Dec 3), NYMEX at Henry Hub closed at \$4.349 per million British Thermal Units (MMBtu)
- January Light, Sweet Crude Oil Futures Contract (Dec 3), NYMEX at Cushing closed at \$89.19 per U.S. oil barrel (Bbl.) or approximately \$14.20 per MMBtu

Last week: TX warmer, U.S. cooler than normal

For the week beginning 11/28/10 and ending 12/4/10, heating degree days were lower than normal for Texas and higher than normal for the U.S. For the heating season (7/1/10 to 6/30/11), cumulative heating degree days are 13% below normal for Texas and 7% below normal for the U.S. Source: www.cpc.ncep.noaa.gov

HEATING DEGREE DAYS (HDD)

City or Region	Total HDD for week ending 12/4/10	* Week HDD +/- from Normal	Year-to-date total HDD	* YTD % +/- from Normal
Amarillo	158	- 18	754	- 24 %
Austin	73	0	305	+ 8 %
Dallas – FW	83	- 23	302	- 29 %
El Paso	139	+ 16	429	- 23 %
Houston	52	- 14	194	- 27 %
San Antonio	57	- 13	205	- 25 %
Texas**	78	- 9	324	- 13 %
U.S.**	136	+ 11	709	- 7 %

* A minus (-) value is warmer than normal; a plus (+) value is cooler than normal. NOAA uses 65° Fahrenheit as the 'normal' basis from which HDDs are calculated.
** State and U.S. degree days are population-weighted by NOAA.

Last week: U.S. Gas Storage at 3,814 Bcf

For the week ending 11/26/2010, U.S. working gas in storage declined from 3,837 to 3,814 Bcf compared to 3,837 Bcf in storage a year ago and compared to an average of 3,467 Bcf in storage during the 5-year period from 2005 to 2009. Working gas in storage in the producing region (which includes Texas) increased from 1,249 to 1,263 Bcf. Source: www.eia.doe.gov

U.S. WORKING GAS IN STORAGE

Region	Week ending 11/26/10	Prior Week	One-week Change	Current Δ from 5-YR Avg (%)
East	2053	2069	- 16	+ 4.5 %
West	498	519	- 21	+ 5.3 %
Producing	1263	1249	+ 14	+ 22.9 %
Lower 48 Total	3814	3837	- 23	+ 10.0 %

Lower 48 states, underground storage, units in billion cubic feet (Bcf)

Last week: Gas Rig Count Up 8 to 961

The gas rig count for the U.S. was up 8 last week and up 213 when compared to 12 months ago. The U.S. total rig count was up 26 last week and up 572 when compared to 12 months ago.

Source: Baker Hughes

BAKER HUGHES ROTARY RIG COUNT

	As of 12/03/10	+/- Prior Week	Year Ago	+/- Year Ago
U.S. total	1713	+ 26	1141	+ 572
Gas	961	+ 8	748	+ 213
Oil	742	+ 18	383	+ 359
Texas	749	+ 4	451	+ 298
N. Amer.	2162	+ 60	1505	+ 657

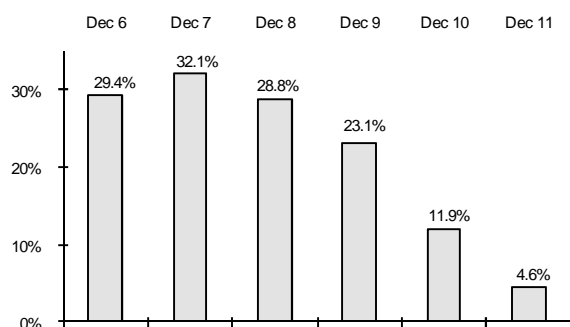
Numbers are excerpted and not meant to be totaled

This week: U.S. Energy Use Higher Than Normal

U.S. energy use is forecast to be higher than normal this week, according to the Dominion Energy Index, as shown below. The index forecasts total U.S. residential energy usage, a component of which is natural gas.

Source: Dominion Energy Index

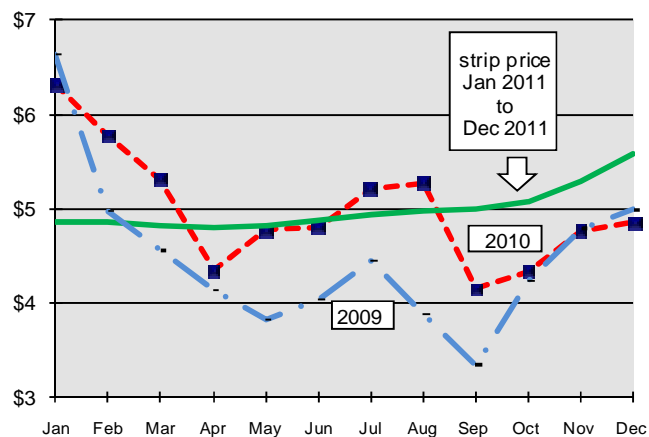
U.S. ENERGY USE FORECAST



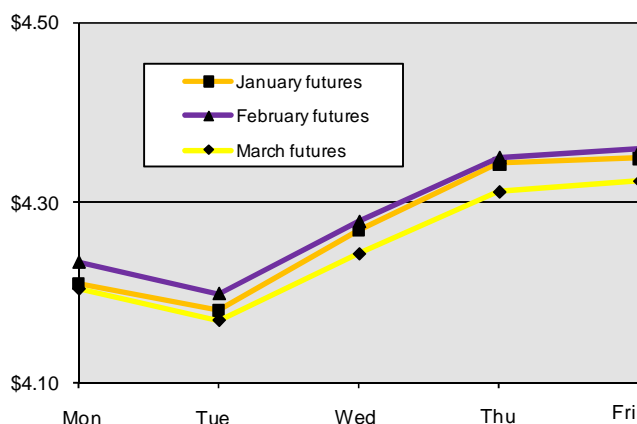
GAS PRICE SUMMARY AS OF 12/03/10

	This Week	+/- Last Week	+/- Last Year	12-Month Strip Avg.
US January futures				
NYMEX	\$4.349	\$0.082	-\$1.465	\$4.488

NYMEX HENRY HUB FUTURES PRICES



NYMEX NATURAL GAS PRICE MOVEMENT 11/29/10 - 12/3/10



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